

~~CONFIDENTIAL~~
DRAFT
10 April 1956

MEMORANDUM FOR: DD/S

SUBJECT : Bonding of Agency Personnel

REFERENCES : (a) Memo for DD/S from Chairman, Bond Committee dated 26 January 1956, Subject Above

(b) Memo for DD/S from C/FP, dated 18 February 1955 Subject, Bond Coverage

(c) Memo for the Record by DD/S, dated 6 October 1954 Subject Above

This memo contains recommendations which require action

1. The committee has now completed its review of the types of positions within the Agency wherein protection of the Government's interest would appear to require bonding of incumbents. The positions reviewed fall into three general categories, as follows:

- a. Positions involving accountability for Vouchered Funds
- b. Positions involving accountability for Confidential Funds.
- c. Positions involving accountability for Property.

2. With respect to positions involving accountability for vouchered funds, it is the opinion of the committee that security and operational considerations with respect to activities utilizing the funds are not such as to justify deviation from the bonding policy generally followed by other government agencies and/or prescribed by general legislation. Accordingly, *will be* it is recommended that all vouchered fund disbursing officers, imprest fund cashiers and certifying officers be bonded in minimum amounts as follows:

Disbursing Officers	
Imprest Fund Cashiers	\$5,000
Certifying Officers	\$5,000

Bonds in the above amounts will meet minimum requirements of applicable

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legislation and/or policy of the Treasury Department.

25X1C 3. In the case of positions involving accountability for confidential funds, operational and security considerations have, under prior bonding arrangements generally been such as to limit bonding to persons at Headquarters [REDACTED] The present position schedule bond does not require identification of individuals or locations in order to effect bond coverage. Thus the security problem in obtaining bond coverage has largely been overcome.

4. Although the new position schedule bond recognizes the need for restrictions of security information in case of claims, it is possible that security limitations would under most circumstances severely limit our ability to recover under the bond. In case of a claim it is quite apparent that successful prosecution of the claims would require divulgence of at least the identity and location of the person whose actions caused the claim to arise. In such case it is probable that security considerations would override claim requirements and efforts to collect under the bond would be precluded. This probability was recognized by Mr. [REDACTED] of the Special Study Group when he expressed the opinion that only agent cashiers and certifying officers should be bonded and that official custodians should not be. (See ref. c.)

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5. Even though it is doubtful that the Agency generally would be in position to realize on a claim for loss of confidential funds under a bonding arrangement, there may, of course, be circumstances wherein prosecution might be undertaken. Also there appears to be some psychological advantage in *requiring bonding* bond coverage on persons charged with primary responsibility for funds. Accordingly, present policy provides, security permitting, for the bonding

of Agent Cashiers, Imprest Fund Cashiers, Finance Officers responsible for the custody and control of funds and Certifying Officers. (Ref. b)

6. The committee has now concluded that the emphasis on personal responsibility provided by bond coverage is of such significance that all persons charged with primary responsibility for the use and custody of funds should be bonded, but that operational and other administrative personnel delegated responsibility for custody of funds ~~by Principal Custodian~~ ^{should} not be bonded. The adoption of this policy will broaden present bond coverage to the extent that all Chiefs of Stations and Bases not having assigned Finance Officers serving as Principal Official Custodians will be bonded.

7. In line with the above, the committee ^{will} recommend ~~that~~ that the following bond coverage be obtained ^{for} persons charged with responsibility for the custody, control and disbursement of Confidential Funds:

Agent Cashiers	\$200,000
Principal Official Custodians*	10,000
Disbursing Officers	10,000
Imprest Fund Cashiers / or	5,000
Certifying Officers	5,000

* Finance Officers of COS/B


Bond coverage on the incumbents of the above positions is consistent with general legislative requirements and/or general commercial and governmental practice.

8. Although it is recognized that persons charged with accountability for property often assume major pecuniary liability as a result of such responsibility, bond coverage ^{will be} ~~is~~ not recommended for these positions, This recommendation is based on the fact that security considerations limit the advantage accruing to the Agency for such coverage and the fact that general practice in other governmental agencies is not to bond such persons.

9. If you approve of the bonding policy stated above, each incumbent of the positions requiring bond coverage will be required to furnish a form of bond application. This form will not be furnished to the bonding company, but will be retained in Agency files to support coverage under the bond and to assure that each person bonded is aware of the pecuniary liability he has assumed.

10. Your approval of the recommendations contained in paragraph 2, 6 and 7 is recommended.

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CONCUR:

Office of Security

General Counsel

Comptroller

The recommendations contained in paragraph 2, 6 and 7 are approved.

L. K. WHITE
Deputy Director (Support)

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4	Document No. <u>1</u> No Change in Class. <input type="checkbox"/> <input type="checkbox"/> Declassified Class. Changed to: TS S <u>CSA</u> Next Review Date: <u>1-2-79</u> Auth: HR 78-2			
5				
6				
ACTION	APPROVAL	DISPATCH	PREPARE REPLY	RECOMMENDATION
COMMENT	FILE	RETURN		
CONCURRENCE	INFORMATION	SIGNATURE		
Remarks: Attached is draft of proposed bonding policy for consideration by committee with view to presentation to DD/S for policy approval. Policy suggested in Para. 8 represents my view, and understanding, however, [REDACTED] is checking this out. Suggest we arrange a meeting shortly to dispose of this matter. <i>Per meeting of 4/24 - [REDACTED]</i> <i>Redraft - [REDACTED]</i>				
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FROM: NAME, ADDRESS AND PHONE NO.			DATE	
Chief, Finance Division			4/11/56	
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Replaces Form 30-4 which may be used.

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